Dollar Declines, Gold Up

U.S. Currency Fall Blamed On Watergate

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BONN, June 4 — The dollar's exchange value against the West German mark fell to an all-time low today, while the price of gold rose to a record high of $123.50 an ounce on the London market.

These were the highlights of a day of feverish activity on European currency and bullion markets. Although financial circles said it was still too early to analyze precisely what was happening and why, fears were becoming evident that the world might be heading for yet another monetary upheaval.

The only thing that seemed certain was that the dollar—despite the 10 per cent devaluation and other adjustments in February and March—was weakening at a rate that could become alarming if it continues unchecked.

Most speculation about the reasons for the dollar's decline tended to put the major blame on the Watergate scandal and the fears it has raised in Europe about U.S. governmental stability.

There is a growing feeling here that President Nixon is being pressed so hard that he might not be able to survive in office. Even if he does, there are strong doubts that he will be able to exercise effective control over the American economy, and that, in turn, seems to be sparking a sharp new loss of confidence in the U.S. dollar.

This is the major reason offered in financial circles for the battering that the dollar took today in major money markets such as those of West Germany, France and Britain.

The most spectacular drop came in West Germany where the dollar this afternoon plummeted to its lowest-ever exchange value against the mark of 2.5900. This was a drop of almost 9 per cent from the exchange ratio of just a month ago.

Later in the afternoon, the dollar rallied somewhat and climbed back to 2.6100. But this was still far below today's midday fixing level of 2.6400. The fixing level is the rate established for transactions made during the day but settled at a future date. It was

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Watergate Held Responsible

Dollar Down; Gold Price Up

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also substantially under Friday's fixing rate of 2.6780.

The dollar also experienced a sharp drop in France which uses a two-tier system of exchange. In late trading on the Paris exchange, the rate for regular transactions fluctuated between 4.1850 and 4.2950, as opposed to the opening price of 4.3050. The French rate for commercial accounts saw the dollar fall from its opening rate, between 4.295 and 4.305 to between 4.210 and 4.230.

In London, the price of gold shot up to a record high of $123.50 an ounce. This was $5.75 an ounce more than Friday's price, and indicated that there has been no lessening in the feverish demand for gold.

Financial analysts said that the rush to buy gold seemed to reflect not only a flight from the dollar but also a general lack of confidence in all major currencies.

In financial circles, the big question tonight was whether this trend will continue. In monetary terms, the dollar presently is regarded as being undervalued, but this factor seems to weigh less with speculators than the uncertainty caused by Washington's political crisis.

Although Watergate is regarded as the main culprit for the present unrest, financial sources said it also was being fed by some other factors. These included rumors that West Germany may be forced into another revaluation and reports that the U.S. and French positions on settlement of the international monetary problem were still far apart after the meeting between Mr. Nixon and French President Georges Pompidou in Iceland.

West German analysts also said that the situation was aggravated somewhat here by the government's moves to restrict credit.

News services reported the following:

• South African Finance Minister Nicolaas Diederichs announced that the rand has been revalued by about 5 per cent against the U.S. dollar.

• UPI reported that the Bank of Finland allowed the Finnmark to drop below the level of 3.81 marks to the dollar, the point at which Finland had agreed to support the U.S. currency. The dollar closed at 3.73.